



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/29/2005

GAIN Report Number: TU5041

Turkey

Sugar

Semi Annual

2005

Approved by:

Jim Higgiston, Agriculture Counselor
U.S. Embassy

Prepared by:

Unal Sarigedik, Agriculture Specialist

Report Highlights:

The outlook for Turkey's MY 2006 sugar beet and centrifugal sugar production remains good. Weather has been good in most growing regions. The Turkish government increased the production quota for starch-based sweeteners again in MY 2005. Despite overproduction, several new refineries will become operational in the near future.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Ankara [TU1]
[TU]

Table of Contents

Production **3**
 Production: Sugar Beets 3
 PS&D for Sugar Beets..... 3
 Production: Centrifugal Sugar 3
 PS&D for Centrifugal Sugar..... 4
 Production: Cornstarch-Based Sweeteners 4
Consumption..... **4**
Prices **5**
Trade..... **5**
 Export Trade Matrix for Centrifugal Sugar 5
 Import Trade Matrix for Centrifugal Sugar 6
Stocks **6**

Production

Production: Sugar Beets

In MY 2006, sugar beet crop is expected to be good in most growing areas. Weather conditions have been good as well as beet yields. Post still estimates sugar beet production at about 14.5 MMT and with centrifugal sugar production to reach 2.175 MMT. The sugar beet harvest started a few weeks ago and is continuing in major growing areas where yields appear to be good.

PS&D for Sugar Beets

| Turkey Sugar Beets | | | | | | | |
|-----------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|---------|
| | 2004 USDA Official [Old] | Revised Post Estimate [New] | 2005 USDA Official [Old] | Estimate Post Estimate [New] | 2006 USDA Official [Old] | Forecast Post Estimate [New] | UOM |
| Market Year Begin | | 09/2003 | | 09/2004 | | 09/2005 | MM/YYYY |
| Area Planted | 330 | 315 | 330 | 330 | 320 | 320 | 1000 HA |
| Area Harvested | 330 | 314 | 329 | 329 | 320 | 320 | 1000 HA |
| Production | 14100 | 12575 | 13800 | 13800 | 14500 | 14500 | 1000 MT |
| TOTAL SUPPLY | 14100 | 12575 | 13800 | 13800 | 14500 | 14500 | 1000 MT |
| Utilization for Sugar | 14100 | 12575 | 13800 | 13800 | 14500 | 14500 | 1000 MT |
| Utilizatn for Alcohol | 0 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| TOTAL UTILIZATION | 14100 | 12575 | 13800 | 13800 | 14500 | 14500 | 1000 MT |

Production: Centrifugal Sugar

There are a total of 33 sugar refineries in Turkey. Out of this total, 25 factories are owned and run by the Turkish Sugar Corporation (TSC), six are owned by PANKOBIRLIK, and two owned by the private sector. The refinery in Adapazari was bought recently by PANKOBIRLIK but has not been operating since the major earthquake in the region in 1999. PANKOBIRLIK is expected restore this refinery in the near future to prepare for production. The quota assigned for the Adapazari refinery for MY 2006 will be processed at nearby Alpullu and Susurluk factories of the TSC. Two other refineries are being constructed. Aksaray refinery is owned by the private sector, and Bogazliyan refinery is owned by PANKOBIRLIK. Both of these refineries should be completed by the end of the year.

PANKOBIRLIK recently constructed another factory in Cumra, Konya. Cumra factory was constructed without any financial assistance from the government and cost about USD 150 million. The factory processes 12,000 MT of sugar beets per day, the largest capacity in Turkey. Cumra refinery processed about 300,000 MT of sugar beets in MY 2005 and is expected to process nearly 1.5 MMT of sugar beets in MY 2006 when it will hopefully be operating at full capacity. Even though Cumra refinery is a newly constructed refinery with modern technology, it operates only 120-130 days during its campaign period. PANKOBIRLIK, which is the Central Union for Sugar Beet Producers' Cooperatives, has been constructing new refineries in expectation that inefficient TSC refineries will be taken out of the production through GOT privatization policies.

PS&D for Centrifugal Sugar

| Turkey Sugar, Centrifugal | | | | | | | |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------|
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 09/2003 | | 09/2004 | | 09/2005 | MM/YYYY |
| Beginning Stocks | 730 | 730 | 484 | 485 | 583 | 610 | 1000 MT |
| Beet Sugar Production | 1915 | 1915 | 2109 | 2110 | 2175 | 2175 | 1000 MT |
| Cane Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| TOTAL Sugar Production | 1915 | 1915 | 2109 | 2110 | 2175 | 2175 | 1000 MT |
| Raw Imports | 0 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| Refined Imp.(Raw Val) | 1 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| TOTAL Imports | 1 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| TOTAL SUPPLY | 2646 | 2645 | 2593 | 2595 | 2758 | 2785 | 1000 MT |
| Raw Exports | 0 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| Refined Exp.(Raw Val) | 232 | 230 | 50 | 25 | 50 | 25 | 1000 MT |
| TOTAL EXPORTS | 232 | 230 | 50 | 25 | 50 | 25 | 1000 MT |
| Human Dom. Consumption | 1930 | 1930 | 1960 | 1960 | 2000 | 2000 | 1000 MT |
| Other Disappearance | 0 | 0 | 0 | 0 | 0 | 0 | 1000 MT |
| Total Disappearance | 1930 | 1930 | 1960 | 1960 | 2000 | 2000 | 1000 MT |
| Ending Stocks | 484 | 485 | 583 | 610 | 708 | 760 | 1000 MT |
| TOTAL DISTRIBUTION | 2646 | 2645 | 2593 | 2595 | 2758 | 2785 | 1000 MT |

Production: Cornstarch-Based Sweeteners

The quota for cornstarch based sweetener (SBS) producers was increased from 234,000 MT to 351,000 MT (from 10 percent to 15 percent of the total production) in MY 2005. For the past several years the quota has been increased. Thus far, there have not been any announcements regarding a quota increase for MY 2006.

There are five factories producing SBS with a quota with a total capacity of around 900,000 MT in Turkey. Two of these factories have one hundred percent international capital; two have one hundred percent domestic capital and one is a mixture of domestic and international capital. A total of 525,000 MT of corn is used to produce SBS in Turkey. This amount increases to 825,000 MT with the inclusion of corn-based starch. Two new factories started to produce starch based sweeteners recently. These are owned by the private sector. These factories do not have production quotas and their production capacities are not known. Even though the Sugar Board is limiting total production of sugar and sweeteners, it is doubtful that these limits are strictly followed. There has not been any development on the revised Sugar Law, which is still waiting in Parliament.

Consumption

SBS producers primarily Use domestically grown corn because of two reasons: biotechnology and politics. SBS are used primarily by the soft drink industry in Turkey. The soft drink industry requires that the SBS be produced from non-GMO corn, which forces SBS producers

to use domestically grown corn even though domestically grown corn prices are higher than international corn prices. The GOT increased the duty on corn imports from 100 percent to 130 percent to reduce the attractiveness of imported corn. SBS producers are also trying to use more of the domestically grown corn for political reasons since they have faced significant and often inflammatory criticism from sugar beet farmers and processors. Please see TU5020 for an update on corn production and trade in Turkey.

Prices

Turkey has some of the highest prices for sugar in the world. Ex-factory sugar selling prices of TSC were last increased on June 18, 2004. This is the only price adjustment TSC made since April 2003. The current ex-factory prices follow:

| Type of Sugar | June 18, 2004 |
|--------------------------|---------------------------|
| Crystal Sugar | YTL/Kg. (VAT included) |
| - 50 Kg. bags | 1.696 |
| Cube Sugar | |
| - 50 Kg. bags | 1.841 |
| - 1 Kg. boxes (25 boxes) | 1.949 |

These prices are about USD 1,250 per MT, USD 1,370 per MT, and 1,450 per MT for crystal sugar and cube sugar in bags and boxes, respectively. The profit margin of the factories and the VAT are included in these prices. (Note: USD 1.00 is currently about YTL 1.35)

Trade

In recent years, Iraq has been the major market for Turkish sugar exports, followed by Azerbaijan. Exports are expected to continue to decline since supply has been reduced and the GOT does not provide any subsidy for sugar exports. Export and Import Matrixes provide trade data for MY 2004 and for the first eleven months of MY 2005.

Export Trade Matrix for Centrifugal Sugar

| | | | |
|-------------------|-------------|-----------------|-------------|
| Time Period | Sep. - Aug. | Units: | Metric Tons |
| Exports for: | 2004 | Sep. - July | 2005 |
| U.S. | 47 | U.S. | 18 |
| Others | | Others | |
| Iraq | 156847 | Iraq | 14308 |
| Georgia | 38571 | Azerbaijan | 6182 |
| Northern Cyprus | 8435 | Germany | 4039 |
| United Arab Em. | 7673 | Northern Cyprus | 548 |
| Azerbaijan | 7420 | France | 538 |
| Iran | 4783 | Romania | 444 |
| Germany | 4200 | Lebanon | 109 |
| Russia | 2174 | Israel | 67 |
| France | 475 | Kuwait | 66 |
| Turkmenistan | 435 | Libya | 57 |
| Total for Others | 231013 | | 26358 |
| Others not Listed | 1019 | | 342 |
| Grand Total | 232079 | | 26718 |

Import Trade Matrix for Centrifugal Sugar

| | | | |
|-------------------|-------------|----------------|-------------|
| Time Period | Sep. - Aug. | Units: | Metric Tons |
| Imports for: | 2004 | Sep. - July | 2005 |
| U.S. | 20 | U.S. | 32 |
| Others | | Others | |
| United Kingdom | 243 | United Kingdom | 909 |
| Germany | 113 | Germany | 603 |
| France | 87 | Netherlands | 150 |
| Italy | 40 | France | 112 |
| Spain | 27 | Denmark | 83 |
| | | Spain | 14 |
| | | Italy | 13 |
| | | | |
| | | | |
| | | | |
| Total for Others | 510 | | 1884 |
| Others not Listed | | | |
| Grand Total | 530 | | 1916 |

Stocks

Similarly, sugar stocks have declined because of the GOT policy to restrict the total amount of sugar and CSS production.